

Alpha IVF (ALPHA MK)

2QFY26: Quarter Disappoints

Highlights

- Earnings came in below expectations as external headwinds weighed on foreign patient volume that coincided with a higher-than-expected tax rate.
- Margins contracted sharply following pre-operating costs and promotional packages to increase local patient throughput.
- Maintain BUY as Alpha IVF's fundamentals remain intact despite near-term headwinds. Cut target price to RM0.40 (from RM0.43).

2QFY26 Results

Year to 31 May (RMm)	2QFY26	qoq % chg	yoy % chg	1HFY26	yoy % chg	Comments
Revenue	47.3	-9.2	9.4	99.4	15.3	External headwinds weighed on foreign patient volume.
GP	28.0	-11.0	6.5	59.5	14.4	
EBITDA	19.1	-18.8	-12.0	42.6	0.9	
PBT	16.5	-21.5	-18.4	37.5	-4.4	
Profit	11.8	-22.9	-22.4	27.2	-9.9	
Core PATAMI	12.0	-21.5	-20.5	27.3	-13.8	Below expectations at 39% of both our and consensus estimates.
Margins (%)		qoq ppt chg	yoy ppt chg	(%)	qoq ppt chg	
Gross Profit	59.2	-1.2	-1.6	59.9	-0.4	
EBITDA	40.4	-4.8	-9.8	0.0	-49.0	Sharp contraction in margins due to start-up costs and promotional packages.
Eff. tax rate	-28.0	-1.3	-3.7	-27.3	-4.4	
Core Profit	25.4	-4.0	-9.6	27.4	-9.3	

Source: Alpha IVF, UOB Kay Hian

Analysis

- Below expectations off a confluence of factors.** Alpha IVF registered a 2QFY26 core profit of RM12.0m (-20.5% yoy, -21.5% qoq). This brought 1HFY26 core profit to RM27.3m (-13.8% yoy). This is below expectations, with earnings accounting for 39% of both our and consensus full-year estimates. The negative variation is attributed to fewer foreign patients following the implementation of Sales and Services Tax (SST) on foreign patients coupled with the stronger ringgit and a higher-than-expected effective tax rate.

Key Financials

Year to 31 May (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	167.6	176.8	212.7	285.3	368.4
EBITDA	77.5	80.1	87.2	119.5	158.8
Operating profit	69.9	70.8	74.6	104.0	142.5
Net profit (rep./act.)	54.8	57.5	61.3	82.4	110.7
Net profit (adj.)	54.8	57.5	61.3	82.4	110.7
EPS	1.1	1.2	1.3	1.7	2.3
PE	26.6	25.4	23.8	17.7	13.2
P/B	7.8	7.4	6.7	6.0	5.3
EV/EBITDA	17.4	16.8	15.4	11.3	8.5
Dividend yield	1.5	3.3	2.9	4.0	5.3
Net margin	32.7	32.5	28.8	28.9	30.0
Net debt/(cash) to equity	(77.1)	(78.7)	(55.2)	(57.1)	(66.0)
Interest cover	95.5	73.9	177.2	243.0	322.8
ROE	45.9	29.8	29.6	36.0	42.9
Consensus net profit	-	-	69.8	89.6	110.8
UOBKH/Consensus (x)	-	-	0.88	0.92	1.00

Source: Alpha IVF, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM0.30
Target Price	RM0.40
Upside	33.3%
Previous TP	RM0.43

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Stock Data

GICS Sector	Healthcare
Bloomberg ticker	ALPHA MK
Shares issued (m)	4,860.0
Market cap (RMm)	1,457.6
Market cap (US\$m)	359.2
3-mth avg daily t'over (US\$m)	0.3

Price Performance (%)

52-week high/low			RM0.34/RM0.27	
1mth	3mth	6mth	1yr	YTD
0.0	(9.1)	11.1	(7.7)	1.7

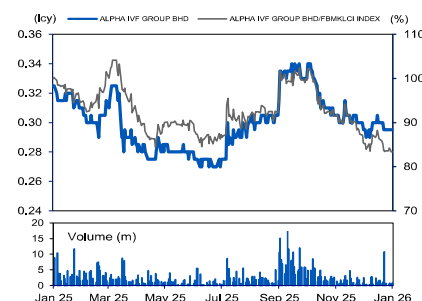
Major Shareholders

Dato' Dr. Lee Soon Soo	43.2
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Balance Sheet Metrics

FY26 NAV/Share (RM)	0.04
FY26 Net Debt/Share (RM)	0.02

Price Chart



Source: Bloomberg

Company Description

Renowned fertility treatment provider with fertility centres in the ASEAN region, set up and operated by leading doctors and embryologists responsible for numerous fertility achievements both in the region and worldwide.

- **Headwinds converge to weigh on revenue.** 2QFY26 revenue moderated to 9.4% yoy from 21.2% in 1QFY26. This is attributed to subdued Indonesian patient volumes following the weaker Indonesian rupiah vis-à-vis the ringgit and SST being absorbed by Alpha IVF for China patients. Additional IVF centres in Sabah, Malaysia, Manila, and the Philippines have commenced operations and will contribute from 3QFY26 onwards. We gather that December patient volumes for these new facilities were relatively slow given the holidays but have since picked up well, especially for the former.
- **Further compounded by soft margins.** Gross margin softened marginally by 1.6ppt yoy to 59.2% due to the absorbed SST. EBITDA margin softened further by 9.8ppt to 40.4% due to promotional packages for its local patients during the quarter and pre-operating costs that were incurred in relation to the ramp-up of four upcoming facilities (two each in Malaysia and the Philippines). Meanwhile, the effective tax rate rose to 28.0% (2QFY25: 24.3%) owing to costs that could not be offset, though this should moderate once the new facilities turn profitable. Consequently, PATAMI margins slipped by 9.6ppt and 4.0ppt yoy and qoq respectively to 25.4%.

Valuation/Recommendation

- **Maintain BUY but with a lower target price of RM0.40** (from RM0.43), as we cut our earnings by 12-14%, but roll over our valuation period to FY27 from 2026. External headwinds have coincided with the ramp-up of new facilities that would initially incur start-up costs, weighing on the immediate financial performance. However, Alpha IVF's fundamental prospects are firmly intact as the new additional facilities widen its footprint across the region and materially expand the group's presence, up from a low base of just four existing IVF centres. Our target price is based on a PE peg of 24x, in line with Alpha IVF's regional IVF peers.

Earnings Revision/Risk

- We cut our earnings forecasts by 12%/14%/13% for FY26/27/28 to factor in lower patient volumes and margin assumptions. Key downside risks are execution of new facilities, reputation risk, and key personnel concentration risk.

Key Assumptions

	FY26F	FY27F	FY28F
Revenue (RMm)	212.7	285.3	368.4
Growth yoy (%)	20.3	34.1	29.1
Number of OPU			
Existing Centre OPU	3193	3257	3289
Growth yoy (%)	0.0	2.0	1.0
New Centres OPU	706	2156	3674
Growth yoy (%)	243	205	70
Total OPU	3899	5413	6963
Growth yoy (%)	14.7	38.8	28.6
Blended Revenue per OPU (RM'000)	51.3	49.5	49.7
Growth yoy (%)	-1.4	-3.4	0.4

Source: UOB Kay Hian

Growth And Margin Outlook

	FY26F	FY27F	FY28F
Revenue (RMm)	212.7	285.3	368.4
Growth yoy (%)	20.3	34.1	29.1
EBITDA (RMm)	93.6	125.6	164.9
Growth yoy (%)	8.3	34.2	31.3
Core PATAMI (RMm)	61.3	82.4	110.7
Growth yoy (%)	6.6	34.5	34.3
EBITDA Margin (%)	46.6	46.7	44.8
Core PATAMI Margin (%)	28.9	29.3	30.0

Source: UOB Kay Hian

Environmental, Social, Governance (ESG)

Environmental

- **Energy efficiency.** Implements energy-efficient equipment and practices to reduce energy consumption within the centres.
- **Waste management.** Implements responsible waste management including proper disposal of medical waste and recycling initiatives.

Social

- **Ethical practices.** Adheres to ethical and transparent practices in patient interactions, including informed consent, privacy protection and responsible handling of genetic information.
- **Diversity & inclusion.** Fosters a diverse and inclusive work environment, ensuring that all patients and employees are treated with respect and dignity.

Governance

- **Board oversight.** Ensures that the board of directors or governing body provides effective oversight of the IVF centres' operations, including ESG strategies and performance.

Profit & Loss

Year to 31 May (RMm)	2025	2026F	2027F	2028F
Net turnover	176.8	212.7	285.3	368.4
EBITDA	80.1	87.2	119.5	158.8
Deprec. & amort.	9.3	12.6	15.6	16.3
EBIT	70.8	74.6	104.0	142.5
Total other non-operating income	6.4	6.4	6.1	6.1
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(1.1)	(0.5)	(0.5)	(0.5)
Pre-tax profit	76.1	80.5	109.6	148.1
Tax	(17.6)	(18.6)	(25.3)	(34.2)
Minorities	(1.1)	(0.7)	(1.9)	(3.3)
Net profit	57.5	61.3	82.4	110.7
Net profit (adj.)	57.5	61.3	82.4	110.7

Balance Sheet

Year to 31 May (RMm)	2025	2026F	2027F	2028F
Fixed assets	36.2	107.8	112.3	101.0
Other LT assets	41.2	47.0	47.0	47.0
Cash/ST investment	155.9	123.8	142.0	185.5
Other current assets	17.5	10.3	13.8	17.9
Total assets	250.8	288.9	315.1	351.3
ST debt	0.0	1.3	1.3	1.3
Other current liabilities	23.8	49.5	50.5	51.5
LT debt	0.0	3.0	3.0	3.0
Other LT liabilities	22.9	11.9	10.5	9.2
Shareholders' equity	198.0	216.4	241.1	274.3
Minority interest	6.1	6.8	8.7	11.9
Total liabilities & equity	250.8	288.9	315.1	351.3

Cash Flow

Year to 31 May (RMm)	2025	2026F	2027F	2028F
Operating	54.9	66.1	94.7	123.7
Pre-tax profit	76.1	80.5	109.6	148.1
Tax	(17.6)	(18.6)	(25.3)	(34.2)
Deprec. & amort.	9.3	12.6	15.6	16.3
Associates	0.0	0.0	0.0	0.0
Working capital changes	(5.4)	(5.3)	(2.3)	(2.9)
Other operating cashflows	0.0	0.0	0.0	0.0
Investing	(1.7)	(57.3)	(16.7)	(0.9)
Capex (growth)	(7.3)	(55.0)	(20.0)	(5.0)
Investments	0.0	0.0	0.0	0.0
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	5.6	(2.3)	3.3	4.1
Financing	(47.4)	(40.9)	(59.8)	(79.4)
Dividend payments	(46.2)	(42.9)	(57.7)	(77.5)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	0.0	0.0	0.0	0.0
Loan repayment	0.0	3.0	0.0	0.0
Others/interest paid	(1.2)	(1.1)	(2.1)	(1.9)
Net cash inflow (outflow)	5.8	(32.1)	18.2	43.5
Beginning cash & cash equivalent	151.3	155.9	123.8	142.0
Changes due to forex impact	(1.3)	0.0	0.0	0.0
Ending cash & cash equivalent	155.9	123.8	142.0	185.5

Key Metrics

Year to 31 May (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	45.3	41.0	41.9	43.1
Pre-tax margin	43.1	37.8	38.4	40.2
Net margin	32.5	28.8	28.9	30.0
ROA	24.0	22.7	27.3	33.2
ROE	29.8	29.6	36.0	42.9
Growth				
Turnover	5.5	20.3	34.1	29.1
EBITDA	3.4	8.8	37.1	32.9
Pre-tax profit	3.0	5.7	36.1	35.1
Net profit	4.8	6.6	34.5	34.3
Net profit (adj.)	4.8	6.6	34.5	34.3
EPS	4.8	6.6	34.5	34.3
Leverage				
Debt to total capital	0.0	1.9	1.7	1.5
Debt to equity	0.0	2.0	1.8	1.6
Net debt/(cash) to equity	(78.7)	(55.2)	(57.1)	(66.0)
Interest cover	73.9	177.2	243.0	322.8

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